

MINUTES
PECAN GROVE MUNICIPAL UTILITY DISTRICT

March 31, 2009

The Board of Directors (the "Board") of Pecan Grove Municipal Utility District (the "District") met in regular session, open to the public, on the 31st day of March, 2009, at the Pecan Grove Country Club, Highway 359 at Plantation Drive, Richmond, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

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| Joe Taylor | President |
| Stephen Crow | Vice President |
| G.E. Kluppel | Secretary |
| Richard Stolleis | Assistant Vice President/ Assistant Secretary |
| John Minchew | Assistant Vice President/ Assistant Secretary |

and all of the above were present thus constituting a quorum.

Also present at the meeting were Nancy Wenzel, Devon Wenzel, Nathan Mezzano, Conner Wilkerson, Conley Shepherd, Paul Metcalf, Kirk Boyd, Jim Keller, and Mr. and Mrs. C. K. Dickenson, residents of the District; Trent Slovak of Malcolm Pirnie, Inc.; Pat Naff of CDC Unlimited, L.L.C. ("CDC"); Jason Kirby of Jones & Carter, Inc. ("J&C"); Greg Ordeneaux of Tax Tech, Inc.; Mike Ammel, Andy Phelps, Amanda Benzman, and Breah Campbell of Environmental Development Partners, L.L.C. ("EDP"); Mary Ann Mihills of McLennan & Associates, L.P.; Marquita Griffin of the Fort Bend Herald; and Lynne B. Humphries, Hannah Brook, and Janet Swartz of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of February 24, 2009, meeting, which had been prepared and distributed in advance of the meeting. Director Stolleis requested that the minutes be revised to reflect that Paskey, Incorporated is moving its construction equipment closer to Plantation Drive due to vandalism. Following review and discussion, Director Stolleis moved to approve the minutes of the February 24, 2009, meeting as revised. Director Crow seconded the motion, which was approved by unanimous vote.

DITCH, LEVEE MAINTENANCE, REPAIRS

Mr. Naff reported on ditch and levee maintenance. He recommended that CDC spray cracks in the slope paving on the levee at a cost of \$2,500. After discussion, Director Crow moved to authorize CDC to proceed with spraying cracks in the drainage channel located by the wastewater treatment plant for a cost of \$2,500.

Director Stolleis seconded the motion, which carried unanimously. Mr. Naff updated the Board on a meeting he had with representatives of Paskey, Incorporated to discuss future maintenance of the new portion of the levee.

TAX ASSESSMENT AND COLLECTIONS MATTERS

Mr. Ordeneaux reviewed with the Board the monthly tax assessor/collector's report, a copy of which is attached. He updated the Board on the status of collection of delinquent taxes and 2008 tax payments and responded to questions from Board members. Following review and discussion, Director Crow moved to approve the tax assessor/collector's report and authorize payment of bills from the tax account. Director Stolleis seconded the motion, which passed by unanimous vote.

RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board considered adopting a Resolution Concerning Tax Collection Procedures. Ms. Humphries reviewed the procedures outlined in the Resolution. After review and discussion, Director Crow moved to adopt a Resolution Concerning Tax Collection Procedures reflecting that the Board of Directors rejects all of the optional procedures and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Ms. Humphries reviewed a Resolution Concerning Exemptions from Taxation. After review and discussion, Director Crow moved to adopt a Resolution Concerning Exemptions from Taxation, reflecting that the Board of Directors rejects a general residential homestead exemption, rejects any exemption of charitable organizations from ad valorem taxation, rejects any exemption of travel trailers from ad valorem taxation and grants a \$25,000 exemption for disabled persons and persons over 65 years of age and direct that the Resolution be filed appropriately and retained in the District's official records. Director Kluppel seconded the motion, which passed by unanimous vote.

GARBAGE COLLECTION AND RECYCLING SERVICES

There was no discussion on this agenda item.

SECURITY MATTERS AND SHERIFF CONTRACT

There was no discussion on this agenda item.

PUBLIC COMMENTS

Director Taylor welcomed the Boy Scouts attending the meeting. Mr. Kirby stated that he will contact the Boy Scouts regarding the possible volunteer project of installing the District's storm inlet markers.

DEVELOPMENT AND MAINTENANCE OF PARKS

The Board reviewed the parks management report, a copy of which is attached. Director Crow reported on a meeting with representatives of WaterLogic regarding a possible park watering system that should reduce the District's water usage. He requested that the Board consider approval of a park watering system at the next meeting. He added that the approximate cost for a system would be \$4,662 in addition to an annual service fee of \$1,350.

OPERATION OF DISTRICT FACILITIES

Mr. Ammel reviewed the EDP operations report for the month of March, 2009, a copy of which is attached, and which was provided previously to the Board.

Mr. Ammel stated that the Board will conduct a special meeting with a representative of the Texas Water Development Board ("TWDB") to discuss plans for water conservation and water system operations on April 15, 2009 at the Customer Service Office.

Mr. Ammel reported on the District's request for public assistance from the Federal Emergency Management Agency ("FEMA"). He stated that the District received \$50,727.85 from the insurance company for damages to District facilities. He reported that the District received a total of \$59,397.98 from FEMA.

Mr. Ammel discussed estimates received for replacement of the wood picket fence at Lift Station No. 8. The Board requested that the operator obtain additional estimates for review at the next Board meeting.

After review and discussion, Director Stolleis moved to approve (1) the operator's report; and (2) the replacement of the refrigerated composite sampler at the wastewater treatment plant at a cost of \$4,155.00. Director Crow seconded the motion, which passed by unanimous vote.

Ms. Brook discussed revisions to the section of the Rate Order regarding platting and building standard requirements. After review and discussion of the proposed revisions, Director Stolleis moved to adopt the Amended Rate Order and Rules and Regulations Regarding District System, Parks and Connections, and direct that the Order be filed appropriately and retained in the District's official records. Director Crow seconded the motion, which passed unanimously.

HEARING AND AUTHORIZE TERMINATION OF SERVICE

The Board next conducted a hearing on the termination of utility service to delinquent accounts. Mr. Ammel reported that the residents on the delinquent list included in the operator's report were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board to explain, contest or correct the utility service bill, and to show reason why utility service should not be terminated for reason of nonpayment. Director Kluppel moved that, because the customers on the termination list were not present at the meeting to address the Board, and did not submit a written statement on the matter, utility service for such customers should be terminated in accordance with the District's Rate Order. Director Crow seconded the motion, which passed unanimously.

DISTRICT NEWSLETTER AND WEBSITE

Director Crow discussed possible articles for the next newsletter. The Board tabled discussion on the renewal of the Communications Consulting Program Agreement.

CONVERSION TO SURFACE WATER, PROGRESS UPDATE ON SURFACE WATER PLANT DESIGN FROM MALCOLM PIRNIE, INC., AND AGREEMENTS FOR SALE OF CONVERSION CREDITS

Mr. Slovak updated the Board on the design of the surface water plant. He distributed and reviewed Activity Report No. 7, a copy of which is attached, on the plans for the surface water plant. He stated that the preliminary engineering report is completed and will be submitted to the Texas Commission on Environmental Quality ("TCEQ") ahead of schedule. He requested that the directors and consultants return comments within a week to Malcolm Pirnie, Inc. He stated that Mr. Phelps, Mr. Kirby, Director Stolleis, and Director Taylor will meet to review the report. Director Stolleis stated that he is reviewing alternatives for detention for the surface water plant site with J&C.

Director Kluppel reported on two meetings with Board members of the Gulf Coast Water Authority (the "GCWA") regarding an Interlocal Agreement. He stated that he hopes to have an agreement from the GCWA for the next meeting. Director Kluppel stated that he visited the Shannon Pump Station which would be the station that serves the District. The Board thanked Mr. Keller for arranging the meeting with the GCWA.

Mr. Slovak reviewed Task Order No. 7 to the Agreement for Professional Services between the District and Malcolm Pirnie, Inc. After review and discussion, Director Stolleis moved to approve Task Order No. 7 to the Master Agreement for Professional Services with Malcolm Pirnie, Inc., and direct that the Order be filed

appropriately and retained in the District's official records. Director Crow seconded the motion, which passed by unanimous vote.

ENGINEERING MATTERS

Mr. Kirby reviewed with the Board the engineer's report, a copy of which is attached, and which had been provided in advance of the meeting.

Mr. Kirby stated that J&C expects to receive the geotechnical testing report for the design of the Pecan Lakes Levee System in early April.

Mr. Kirby stated that he expects to receive shortly a draft permit from the Texas Commission on Environmental Quality ("TCEQ") for renewal of the wastewater treatment plant permit.

Mr. Kirby updated the Board on the implementation of the MS4 Storm Water Management Plan ("SWMP"). He discussed utility bill inserts, inlet markers, a public presentation, and Rate Order amendments. The Board requested that the operator insert details on the District's garbage recycling program on the water bill. Director Crow stated that he will contact the Lamar Consolidated Independent School District to determine if students are interested in volunteering to install inlet markers. The Board concurred to conduct the public presentation at the June Board meeting.

Mr. Kirby updated the Board on construction of levee improvements to the existing levee. He added that J&C has been reviewing the plans and specifications with Paskey, Incorporated to ensure they are followed. He said he will point out the soft area on the jogging trail that needs to be compacted. Mr. Kirby reviewed and recommended payment of Pay Estimate No. 2 in the amount of \$243,471.53 to Paskey, Incorporated. After review and discussion, Director Crow moved that, based upon the engineer's recommendation, the Board approve Pay Estimate No. 2 in the amount of \$243,471.53 to Paskey, Incorporated and direct Mr. Kirby to not release payment until he has verified that the work has been completed in accordance with the plans and specifications in the contract. Director Kluppel seconded the motion, which passed by unanimous vote.

Director Taylor requested that Mr. Kirby ask the contractor to re-sod the entrance to Plantation Place and inform the homeowners association when the job is completed.

Ms. Brook reported that the W.S.G. Pecan Grove IV, LP's conveyance of a Levee Easement to the District has been completed.

Mr. Kirby reported on the design of the chloramine conversion system. He stated that the District received a letter from the TCEQ approving the District's request to change to a chloramine system.

The Board concurred to conduct a special meeting in May to discuss the bond application for additional levee drainage improvements.

Ms. Humphries discussed a response from FEMA on the Notice of Interest for the FEMA Hazard Mitigation Grant Program. She stated that the letter from FEMA indicates that generator projects are part of the category which is limited to 5% of the funds available and water plants are fourth in the priority order for funding. The Board instructed the District's consultants to refrain from proceeding with the District's FEMA Hazard Mitigation Grant Program application.

Mr. Kirby discussed the draft of the District's Water Conservation Plan. The Board tabled action on the Water Conservation Plan.

The Board discussed the Fort Bend Independent School District ("FBISD") request to the District for out-of-district service. Mr. Kirby stated that he is waiting for a response from FBISD on details on the request for service.

Following review and discussion of the engineer's report, Director Crow moved to approve the engineer's report. Director Kluppel seconded the motion, which passed unanimously.

PROTEST OF 723 FORT BEND PARTNERS WASTE WATER PERMIT APPLICATION

Ms. Humphries updated the Board on action taken on behalf of the District regarding the 723 Fort Bend Partners Waste Water Permit Application. She then updated the Board on a new contested case at the TCEQ regarding possible adoption of new standards for wastewater treatment plants.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Mihills distributed and reviewed the monthly bookkeeper's report, a copy of which is attached and which was provided in advance of the meeting, including the investment report, budget comparison, and the District's bills. After review and discussion, Director Kluppel moved to approve the bookkeeper's report, investment report, payment of the District's bills. Director Stolleis seconded the motion, which passed unanimously.

RESOLUTION EXPRESSING INTENT TO REIMBURSE OPERATING ACCOUNT

The Board tabled action on this agenda item.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

Director Taylor stated that he and Director Kluppel met with the County Judge and Mr. Vogler on FEMA regulations that would affect the District's South Levee.

Director Stolleis reported on his attendance at a Fort Bend Subsidence District meeting on water surface elevations. Director Minchew reported on his visit of the County Auditor's office to review the billing structure for Sheriff Department deputies.

Ms. Humphries stated that a letter was sent to Belin & Associates regarding trespassers on property located south of Oyster Creek, west of Farmer Road and south of the Farmer Road Estate. Director Minchew reported that there have been four-wheel vehicles on the District's levee. He added he will continue to discuss the enforcement of the District's State law prohibiting four-wheel vehicles on the levee with the Sheriff Department deputies.

ATTORNEY'S REPORT

Ms. Humphries updated the Board on the ABHR legislative monitoring reports. Ms. Humphries stated that she will present a Restated Drought Contingency Plan and Identity Theft Prevention Program for adoption at the next Board meeting.

Ms. Humphries distributed and reviewed with the Board information from the TCEQ regarding proposed changes to the TCEQ rules on the consolidated water quality fee, the public health services fee, and the water use assessment fee, a copy of which is attached. She explained the methods in which Board members could comment on the proposed changes to the rules and stated that there is a public hearing in Austin on April 7, 2009.

FORT BEND COUNTYWIDE LEVEE MEETING, PARTICIPATION IN SUBCOMMITTEE MEETINGS, AND STATUS OF FEDERAL FLOOD INSURANCE LEGISLATION

Ms. Humphries stated that the Fort Bend Countywide Levee Committee meeting is April 3, 2009. Mr. Kirby noted that Scott Saenger of J&C would attend.

COMMENTS FROM THE PUBLIC WHO HAVE SIGNED UP TO SPEAK

Mr. Boyd asked about plans for raising the levee. Mr. Kirby discussed plans for the levee and the types of walls being considered in the design process.

Mr. Boyd requested that the Board consider an increase in the tax exemption for persons over 65 years of age next year.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.076, TEXAS GOVERNMENT CODE, TO DELIBERATE THE DEPLOYMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

At 8:35 p.m., Director Taylor announced the Board would convene in executive session regarding security.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE DEVELOPMENT, OR SPECIFIC OCCASIONS FOR IMPLEMENTATION OF SECURITY PERSONNEL OR DEVICES

Director Taylor announced the Board would reconvene in open session at 8:55 p.m. After discussion, Director Stolleis moved to (1) authorize EDP to proceed with removal of chemicals at water plant no. 2; (2) authorize Mr. Phelps and Mr. Kirby to work together regarding a plan for a gate at the wastewater treatment plant; and (3) authorize installation of an access gate at the wastewater treatment plant at a cost not to exceed \$10,000. Director Minchew seconded the motion, which passed unanimously.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

At 8:57 p.m., Director Taylor announced that the Board would convene in executive session to discuss the purchase of real property.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

Director Taylor announced the Board would reconvene in open session at 9:38 p.m. No action was taken.

CONVENE IN EXECUTIVE SESSION PURSUANT TO THE CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

At 9:40 p.m., Director Taylor announced that the Board would convene in executive session to discuss pending or contemplated litigation.

RECONVENE IN OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING PENDING OR CONTEMPLATED LITIGATION

Director Taylor announced the Board would reconvene in open session at 9:46 p.m. No action was taken.

There being no further business to come before the Board, the meeting was adjourned.

Secretary, Board of Directors

(SEAL)

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